



WENDY GREUEL
CONTROLLER

June 9, 2011

Honorable Antonio R. Villaraigosa, Mayor
Honorable Carmen Trutanich, City Attorney
Honorable Members of the City Council
of the City of Los Angeles

Today I am releasing my third audit on the Los Angeles Department of Transportation's parking program and I'll be calling on the Department to improve its parking meter records in order to ensure collections are being made from all the City's parking meters.

My audit reveals that DOT estimates the City has approximately 36,000 meters, however the Department could not demonstrate that it had an accurate inventory of its meters. Without an accurate and verifiable inventory count by location, DOT cannot be assured that the City's parking meter collection contractor is collecting from all meters in accordance with the collection schedule. The DOT's unreliable meter inventory, technology issues, incomplete on-site monitoring and out-dated map books contribute to the finding that the Department lacks sufficient controls to ensure collections are actually being made from all parking meters.

My audit additionally finds that the Department spends a substantial amount of money on faulty scanning devices that are used to track the revenue from parking meters. Specifically, DOT's coin collectors use handheld devices to scan each meter upon emptying the coin canister, recording the amount collected since the last scan and the time of the scan. While the scanners help track the revenue from parking meters, often, two to three of these devices fail each day. From July 19 to August 20, 2010, the parking meter vendor's weekly reports showed 74 instances of scanner failure. Department officials did not fully test these devices prior to purchase and paid startup costs of \$290,000 along with annual maintenance costs of \$200,000. This underscores the need to put controls in place so that the Department can no longer spend hundreds of thousands of dollars on technology, yet not be able to verify the accuracy of the meter inventory or whether monies were collected from each meter in accordance with the collection schedule.



Honorable Antonio R. Villaraigosa, Mayor
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The City's cost of parking meter collection efforts could potentially be reduced by several hundred thousand dollars if:

- The frequency of collections is reduced on some routes;
- Staff are redeployed; and
- Parking meter maintenance and repairs are improved.

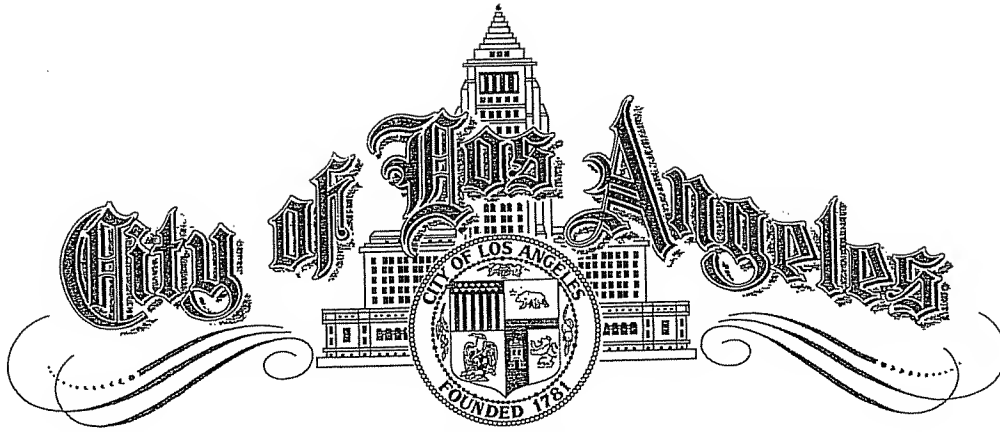
This audit also reveals DOT's poor track record of contract management. Since the parking meter collection contractor is paid based on the number of meter attempts to collect, the City is paying for collections of both broken and empty meters. While the collectors are supposed to provide 'Trouble Reports' for failed meters, it appears these reports did not result in meter repairs. Rather, the repairs appeared to be completed based on a technician discovering the problem through another source or through a reporting by the Parking Violations Bureau. Without working meters, the City is both expending funds on the collection and potentially not collecting all revenue.

DOT has embraced pay stations and "smart meter" equipment to help improve the parking meter program, however, the Department of Transportation still has a great deal of work to do to make the City's parking meter collection process a successful model. I urge the LADOT to implement my audit recommendations as part of its plans to more effectively manage the City's parking operations.

Sincerely,



WENDY GREUEL
City Controller



WENDY GREUEL
CONTROLLER

June 9, 2011

Jaime de la Vega, Interim General Manager
Los Angeles Department of Transportation
100 S. Main St., 10th Floor
Los Angeles, CA 90012

Dear Mr. de la Vega:

Enclosed is the report of the "Audit of the City's Parking Meter Collection Process." A draft of this report was provided to your Department on March 18, 2011. Comments provided by your Department at the April 5, 2011 exit conference were evaluated and considered prior to finalizing this report.

Please review the final report and advise the Controller's Office by July 9, 2011 on planned actions you will take to implement the recommendations shown in the Controller's Accountability Plan. The action plan should include anticipated implementation dates. If you have any questions or comments, please contact me at (213) 978-7392.

Sincerely,

FARID SAFFAR, CPA
Director of Auditing

Enclosure

cc: Reverend Jeff Carr, Chief of Staff, Office of the Mayor
Borja Leon, Deputy Mayor, Office of the Mayor
George E. Moss, President, Board of Transportation Commissioners
Miguel A. Santana, City Administrative Officer
June A. Lagmay, City Clerk
Gerry F. Miller, Chief Legislative Analyst
Independent Auditors





City of Los Angeles Office of the Controller

Audit of the City's Parking Meter Collection Process

June 9, 2011

Wendy Greuel
City Controller

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AUDIT OF THE CITY'S PARKING METER COLLECTION PROCESS

EXECUTIVE SUMMARY

The Controller's Office has completed an audit of the City's Parking Meter Collection Process. The Los Angeles Department of Transportation, through its Bureau of Parking Operations Support & Adjudication, manages the City's parking meter operations. The primary objectives of this audit were to review the adequacy of controls over collections from the City's parking meters and to assess the efficiency and effectiveness of processes related to meter collections. Specific objectives included the following:

- To determine whether the City has adequate controls in place to ensure that all collections are properly recorded and accounted for.
- To evaluate whether the parking meter collection process can be made more efficient and effective.
- To determine whether Serco is complying with the terms of the contract and whether the vendor is providing the required products and services.
- To assess DOT's management of the meter collection process, including oversight of the vendor's activities as defined by the contract.

Background

Since 2002, DOT has contracted with Serco Management Services, Inc. to collect coins from approximately 36,000 meters and 400 pay stations located throughout the City. During Fiscal Year (FY) 2009-10, DOT paid Serco approximately \$2 million for this service.

Every day, ten Serco trucks and 30 collectors arrive at the City's Coin Counting facility in downtown Los Angeles. DOT provides the collectors with the necessary equipment (e.g., handheld scanners and empty coin canisters) and the collection teams then proceed to their assigned routes for meter collections. At the end of the day, the collectors return to the Coin Counting facility where DOT staff oversee the automated coin sorting and counting process and prepare the daily deposit, which is retrieved by armored truck and transported to the bank. For FY 2009-10, total parking meter revenues, including credit card receipts, were \$33.6 million.

Scope and Methodology

Our audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) and covered the period from July 1, 2008 through December 31, 2010. Fieldwork was conducted between August 2010 and March 2011. In conducting our audit, we interviewed DOT management and staff as well as representatives of Serco, and reviewed applicable policies and procedures to obtain an understanding of the key processes for parking meter collections. We then selected sample records and reviewed key documents such as contracts, invoices, meter maintenance records, reconciliations of receipts, meter maps, and collection databases. We also contacted several other California jurisdictions to gather information related to their processes for parking meter collections.

Summary of Audit Results

Our audit found that the City has adequate cash handling controls over the coin collection process. Our review also found that Serco complied with the contract terms by providing the required products and services as directed by DOT. However, DOT cannot adequately ensure that collections are being made from all parking meters, and therefore, that all meter payments are deposited into City bank accounts. This is because DOT could not demonstrate that it has an accurate meter inventory, and it has updated map books. In addition, faulty handheld scanners and ineffective meter management systems did not provide reliable data regarding the frequency and amount of collections, and this contributed to the lack of assurance of complete collections.

In addition, we noted areas where DOT can improve its management of the parking meter collection process, thereby resulting in significant cost savings of several hundred thousand dollars. These include analyzing and revising route scheduling and collection frequency, ensuring that it acts upon broken meter reports, considering changing the payment structure for the vendor's services, and improving routine vendor compliance monitoring.

The following summarizes the audit's findings:

- **DOT lacked sufficient controls to ensure that collections were being made from all parking meters. Also, because of the lack of reconciliations, all payments were not properly accounted for.**

DOT pays Serco based on the number of meters where Serco attempts a collection, given a specific route and schedule based on inventory records and map books. Therefore, it is essential for DOT to have an accurate meter inventory. More importantly, without an accurate inventory, DOT cannot be assured that Serco collects from each meter, in accordance with the DOT mandated collection schedule.

Our audit disclosed that collections can be hindered due to the following:

- DOT attempted to conduct a physical survey of all meters in order to update their maps in 2008; however, DOT reported that it had problems and the inventory could not be considered entirely accurate. DOT also has tools and techniques such as handheld scanning devices and transaction databases, which can be used to help establish an accurate inventory and provide assurance that all meters are collected. However, we found that the Duncan handheld scanning devices used by collectors often do not work (most City meters are Duncan meters), yielding incomplete information. DOT did not fully test the devices and the related meter management system prior to purchase, nor did it fully test other similar systems for the other types of meters used (e.g., IPS and MacKay). While DOT paid start up costs of \$290,000 for these systems and incurs annual maintenance costs of about \$200,000, DOT is not making full use of these systems and their associated databases.
 - Of the City's approximately 36,000 meters, DOT indicated that as of August 2010, there were 23,576 Duncan meters. However, it was unable to provide specific documentation to show how this figure was derived, and our analysis attempting to replicate DOT's reported methodology could not validate this figure.
 - DOT has provided Serco with map books showing all sub-zones and zones to show where City meters are located and the zone boundaries. However, these maps were last updated in 1992 and are likely not accurate. Without accurate map books there is the risk that Serco may not consistently collect from all meters.
 - Many DOT meters and pay stations now also accept credit cards. Payments are automatically processed by third-party systems, and funds are transferred directly into the City's account. DOT could enhance its reconciliation procedures by ensuring the amounts noted as credit card receipts by the meter management systems agree with the summary reports provided by the credit card processing agent, which are then agreed to the City's deposits.
- **DOT could potentially reduce the frequency of collections of some routes, redeploy some staff, and improve meter maintenance and repairs, which could result in several hundred thousand dollars in annual savings and increased revenues.**

We found that DOT does not have a formal process in place to periodically evaluate collection frequencies. Although a particular collection frequency for a specific subzone may be appropriate at a given point in time, changing circumstances may result in the need to alter the frequency. Since Serco is paid based on the number of meters it attempts to collect, setting collection frequencies at optimum points would also help to

minimize contract costs. Our analyses of one collection cycle indicated that revising collection frequencies of some routes, could result in savings of as much as \$500,000 a year.

As meters are being upgraded to accept credit cards, the amount of coins deposited into parking meters may significantly drop. While DOT stated that coin collections have not fallen, this could be attributed to the fact that overall collections have increased since the new meters have a lower "downtime" rate. As customers become accustomed to the new meters or if parking rates rise, patrons may increase their use of credit cards in lieu of depositing coins.

DOT should also consider outsourcing the entire coin collection process, which would include the coin sorting, counting and depositing function. This would allow DOT to redirect staff efforts towards other meter-related oversight functions, including monitoring and maintenance to improve meter up-times.

- **DOT could more effectively utilize internal resources by changing the structure of payments made to Serco and improving recordkeeping, and redirecting resources according to DOT policy.**

Serco submits a monthly invoice to DOT, based on the number of attempted meter collections during that period. DOT staff spends a considerable amount of time reviewing each invoice, based on route schedules and meter counts, to ensure that Serco has billed the correct amount. Our analysis of ten days' collection activities, comparing adjusted invoices to actual activity records, noted numerous variances. Many of these adjustments could not be explained by DOT, and in total they had a minimal effect on the amounts paid.

DOT could substantially reduce the time it takes to review and adjust the invoices if it were to pay Serco under a flat-fee or other simplified arrangement, whereby Serco would be paid the same amount each month unless there was a significant reduction in the number of meters to be collected due to special circumstances such as street closures. A flat fee structure, however, must be based on an accurate meter inventory.

- **DOT did not monitor to ensure that Serco complies with the insurance, bond coverage, and driver license provisions of the contract.**

Under the terms of the contract, at the beginning of each year Serco is required to provide DOT with evidence of proper insurance and bond coverage. We found that DOT did not routinely monitor Serco to ensure its employees had the proper coverage, which could expose the City to risk. We noted that Serco did not have a fidelity bond as required by the contract; although after bringing this to DOT's attention, it stated it believes that Serco's general insurance policy may be sufficient. We recommended

that DOT obtain a written opinion from the City Attorney's office to determine if the City is adequately protected under this arrangement.

Review of Report

The findings noted by this audit were formally discussed with DOT representatives in January 2011, and we considered the additional information provided in drafting this report. A draft of this report was provided to DOT on March 18, 2011. We discussed the contents of the report with DOT management at an exit conference held on April 5, 2011, and DOT generally concurred with this report's findings and recommendations.

We would like to thank DOT management and staff for their cooperation and assistance during the audit.

CONTROLLER'S ACCOUNTABILITY PLAN

RECOMMENDATIONS	PAGE REFERENCE	MAYOR ACTION REQUIRED	COUNCIL ACTION REQUIRED	DEPARTMENT ACTION REQUIRED
SECTION I. ASSURANCE OF COLLECTIONS				
1. DOT management should establish procedures for developing accurate meter count inventories and maintain documentation to support the counts.	23			DOT
2. DOT management should expedite completion of updated map books which reflect an accurate inventory of parking meters.	23			DOT
3. DOT management should complete tests of the various scanners to ensure that associated databases contain complete and accurate information.	23			DOT
4. DOT management should reconcile, on a regular basis, credit card sales per the meter information systems to bank deposits. If possible, automated techniques should be used to complete the reconciliations.	23			DOT
5. DOT management should establish a formal on-site monitoring plan and schedule for verifying that Serco collectors are following correct procedures for all meter zones in the City.	23			DOT
SECTION II. PROGRAM MANAGEMENT FOR METER COLLECTIONS				
6. DOT management should adopt a formal process to periodically monitor and analyze collection frequencies of subzones with the goal of setting the frequencies at their optimum number.	28			DOT
7. DOT management should utilize information from the meter management systems to assist in setting the collection frequencies, once these systems are functioning properly.	28			DOT

RECOMMENDATIONS	PAGE REFERENCE	MAYOR ACTION REQUIRED	COUNCIL ACTION REQUIRED	DEPARTMENT ACTION REQUIRED
8. DOT management should, if, or when, coin collections show a significant decrease, assess the cost-benefit of outsourcing the coin counting function to the coin collection contractor or a bank.	28			DOT
9. DOT management should implement a program to clean meters and meter wells to ensure their proper operation.	29			DOT
10. DOT management should ensure that Parking Meter Trouble Reports are acted upon in a timely manner and annotate the reports to show what actions were taken to repair the meter.	29			DOT
SECTION III. INVOICE PAYMENTS TO SERCO				
11. DOT management should, after assessing the optimal frequencies for meter collections, explore the cost effectiveness of paying Serco a flat monthly fee.	31			DOT
12. DOT management should maintain documentation for any adjustments made to Serco's initial invoices.	31			DOT
13. DOT management should establish a formal and documented plan for filing and maintaining documents related to daily collection records and support for the invoices.	32			DOT
SECTION IV. CONTRACT COMPLIANCE AND MONITORING				
14. DOT management should request the City Attorney to provide a written opinion as to whether Serco's insurance policy can be used in lieu of the fidelity bond required by the contract.	34			DOT, City Attorney

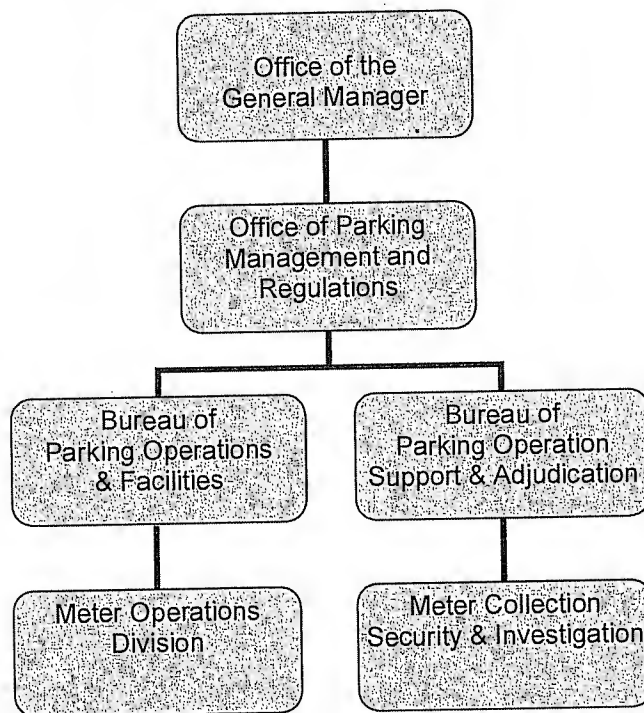
RECOMMENDATIONS	PAGE REFERENCE	MAYOR ACTION REQUIRED	COUNCIL ACTION REQUIRED	DEPARTMENT ACTION REQUIRED
15. DOT management should monitor to ensure that Serco complies with the insurance, bond coverage, and driver license provisions of the contract.	34			DOT

BACKGROUND, SCOPE, AND METHODOLOGY

Background

The City of Los Angeles' Department of Transportation (DOT) is responsible for the City's parking meter operations. The Office of Parking Management & Regulations is over the Bureau of Parking Operations Support & Adjudication, which in turn manages the Meter Collection Security & Investigation Division. The Bureau of Parking Operations and Facilities manages the Meter Operations Division. Responsible staff within these bureaus/divisions oversee and manage the parking meter collection vendor, the parking meter hardware, and parking meter management information systems.

DOT Organization Chart (Partial)

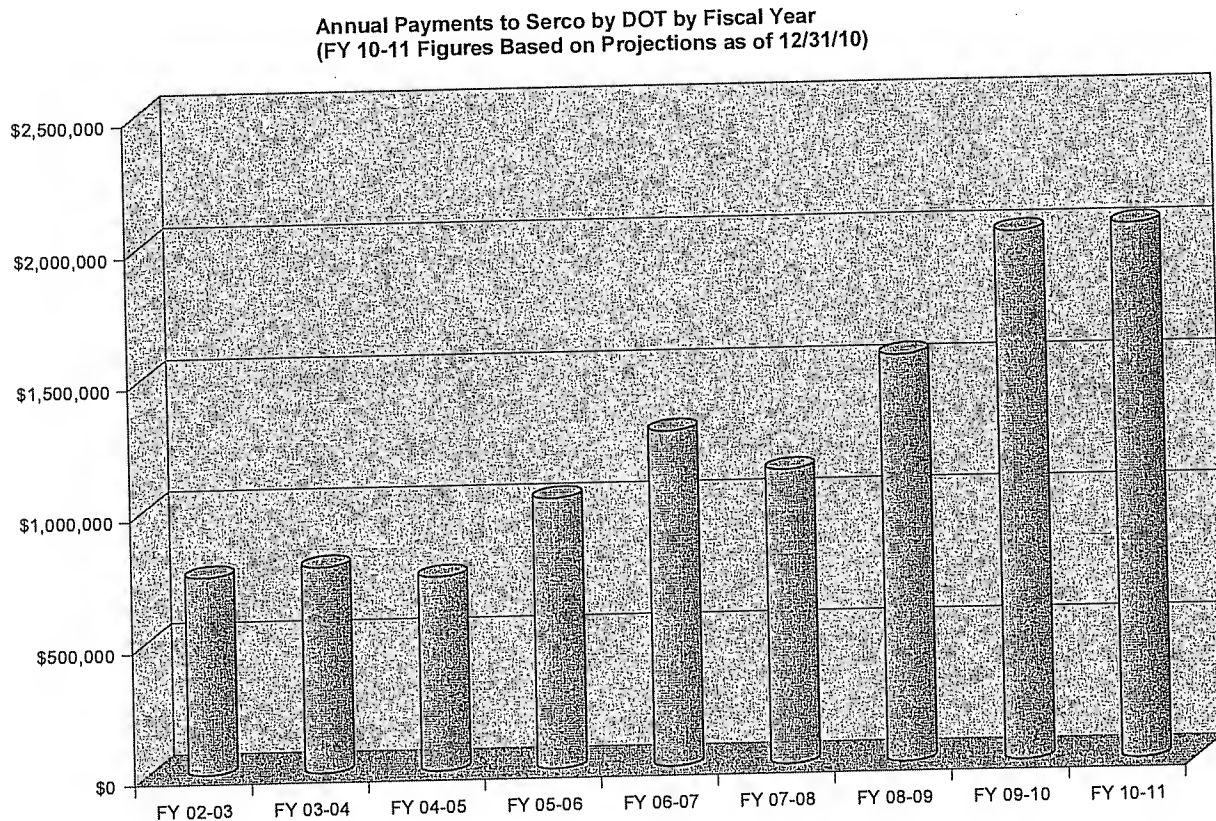


Contract for Meter Collections

Since 2002, the City has contracted with Serco Management Services, Inc. to collect from approximately 36,000 parking meters and 400 pay stations. Serco is based in Virginia and provides parking meter collection services to several local governments across the United States.

The current contract was effective October 1, 2005 for a one-year term with four additional one-year options. Although the last option expired on September 30, 2010, Council approved a one-year contract extension of the Serco contract, and another one-year option to renew.

Serco receives compensation of \$.54002 for each meter they attempt to collect and \$9.06 for each pay station they attempt to collect. Over the last nine years, the City has paid Serco \$10.2 million. The following chart shows a breakdown by year.

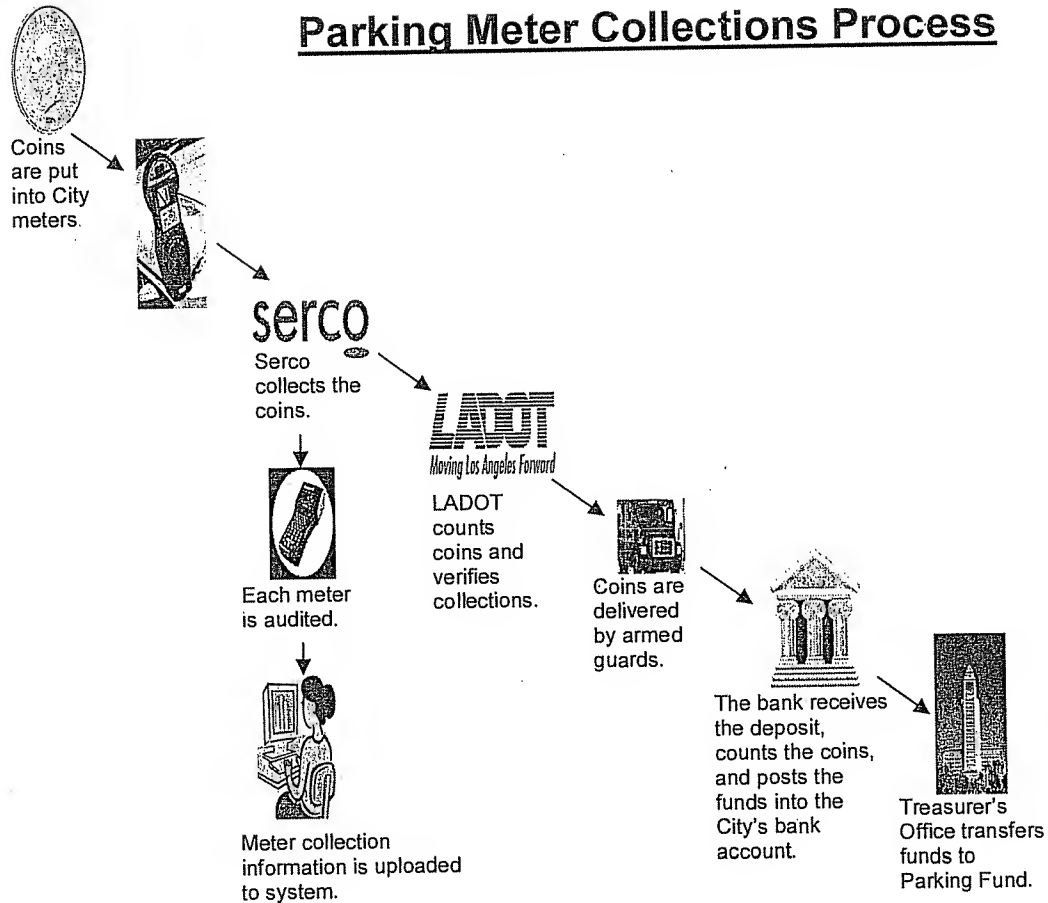


Payments have increased substantially over the last three years. DOT attributes this to an increase in parking rates which required Serco to increase the frequency of collections at meters.

Parking Meter Collections Process

The following diagram depicts an overview of the collection process. These steps are discussed in more detail below.

Parking Meter Collections Process



Each workday, 30 Serco collectors and ten Serco trucks arrive at the DOT coin counting facility where DOT staff issues meter keys and handheld scanning devices to each collection team. Each of the ten teams is composed of three collectors, and is provided with 30 empty canisters to hold the coins as they are removed from the meters.

The collection teams then drive to their assigned zones. There are 71 zones, consisting of 206 sub-zones located throughout the City. At each assigned meter, a collector inserts the key, takes out a small round can, inserts the can into a mobile coin canister, and turns it to release the coins into the larger collection canister. The collector has no direct contact with the coins. Collections for each sub-zone are based on a 12-day collection cycle. While some zones are collected every business day (e.g., Hollywood, Westwood, Central Business), other zones have a lower frequency, with collections occurring as far apart as every six business days.

In general, DOT requires that each meter be "audited" during the collection process. The purpose of these audits is to capture the date, time, and amount of collections in an electronic database that can be monitored to ensure that collections are being made from each meter. There are various types of meters used by the City, and the "audit" process varies by type. For example, for Duncan meters, the collector points an infrared sensor within the handheld computer at the Duncan meter and pushes a button.

For IPS meters, the collector inserts a card with a magnetized strip in the meter when the collection occurs.

When the collection team completes their assigned routes, they return to the coin counting facility. The collectors load the coin canisters onto a dolly that is wheeled back into the coin counting facility where DOT Maintenance Laborers verify which canisters were used. A DOT investigator has each collector sign the Key and Equipment Log to ensure that all items were returned.

Serco provides a report for each collection run that shows the canister numbers that were filled for each zone they collected. This report is signed by all of the collectors, and a DOT investigator verifies this information.

DOT employees then empty the canisters into large machines which automatically sort, count and bag the coins into uniform denominations by coin type. For each run, the coin counting machine also produces a report noting the total amount counted, including the number of bags by denomination. A Maintenance Laborer uses these reports to prepare the bank deposit tickets. Deposits are picked up daily by armed guards for transport to the bank. The guards recount the number of bags of coins and confirm they are the same as the counts on their receipts, which they also sign. Upon delivery to the bank, the bank recounts all the coins; and the bank's count becomes the final deposit amount as recorded in the City's account.

Serco collectors also collect from pay stations, which have a secured bill acceptor box that is removed and replaced at each collection. Upon delivery to DOT, Maintenance Laborers unlock the boxes to count the bills and prepare a separate bank deposit ticket.¹ Neither Serco nor DOT Maintenance Laborers are involved with credit card payments received at meters or pay stations, as these are processed directly by the meter systems.

Parking Meter Revenues

Parking meter revenues are recorded in the Special Parking Revenue Fund, Fund 363. Revenues (including all meter and pay station payments, i.e, coins, currency and credit cards) over the last five years are shown in the table below:

¹ The pay stations also accept coins.

Parking Meter Revenues FY 2005-06 to FY 2010-11	
Fiscal Year 2005-06	\$26,678,007
Fiscal Year 2006-07	\$21,973,041
Fiscal Year 2007-08	\$21,193,372
Fiscal Year 2008-09	\$29,355,345
Fiscal Year 2009-10	\$33,591,164
Fiscal Year 2010-11 (1)	\$38,277,867
(1) Estimated amount based on revenue through 12-31-10 Source: FMIS	

Revenues have increased significantly since FY 2007-08 due to the increase in parking rates, the extension of metered hours, and upgrades of parking meters to new technology capable of charging credit cards.

Objectives, Scope, and Methodology

The primary objective of this audit was to assess the adequacy of controls and efficiency and effectiveness of the City's parking meter collection process. Specific objectives included the following:

- To determine whether the City has adequate controls in place to ensure that all collections are properly recorded and accounted for.
- To evaluate whether the parking meter collection process can be made more efficient and effective.
- To determine whether Serco is complying with the terms of the contract and whether they are providing the required products and services.
- To assess DOT's management of the process, including oversight of the vendor's activities as defined by the contract.

Our audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) and covered the period from July 1, 2008 through December 31, 2010. The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Fieldwork was conducted between August 2010 and March 2011. In conducting our audit, we interviewed DOT management and staff as well as representatives of Serco, and reviewed applicable policies and procedures to obtain an understanding of the key processes for parking meter collections. We then selected sample records and reviewed key documents such as contracts, invoices, meter maintenance records, reconciliations of receipts, maps, and collection databases. We also contacted several

other jurisdictions to obtain information regarding their processes relative to parking meter collections. The remainder of this report details our findings, comments and recommendations.

AUDIT FINDINGS AND RECOMMENDATIONS

SECTION I. ASSURANCE OF COLLECTIONS

For effective meter collection operations, DOT should have controls in place to ensure that all City parking meters are being collected in accordance with an approved collection schedule, that collections are not being diverted, and that all of the amounts collected are deposited into the appropriate City bank accounts. Our audit found there were adequate cash handling controls over the collection process, and the risk of loss due to diversion or theft is appropriately mitigated. However, due primarily to DOT's unreliable meter inventory and technology issues, the City cannot be assured that all meters have been collected, and that all parking payments reach the City's bank accounts.

Finding #1: DOT lacked sufficient controls to ensure that collections were being made from all parking meters. Also, because of the lack of reconciliations, all payments were not properly accounted for.

We found that the Department could not demonstrate it has an accurate inventory of its meters. Without an accurate and verifiable inventory count by location, DOT cannot be assured that Serco is collecting from all meters in accordance with the collection schedule.

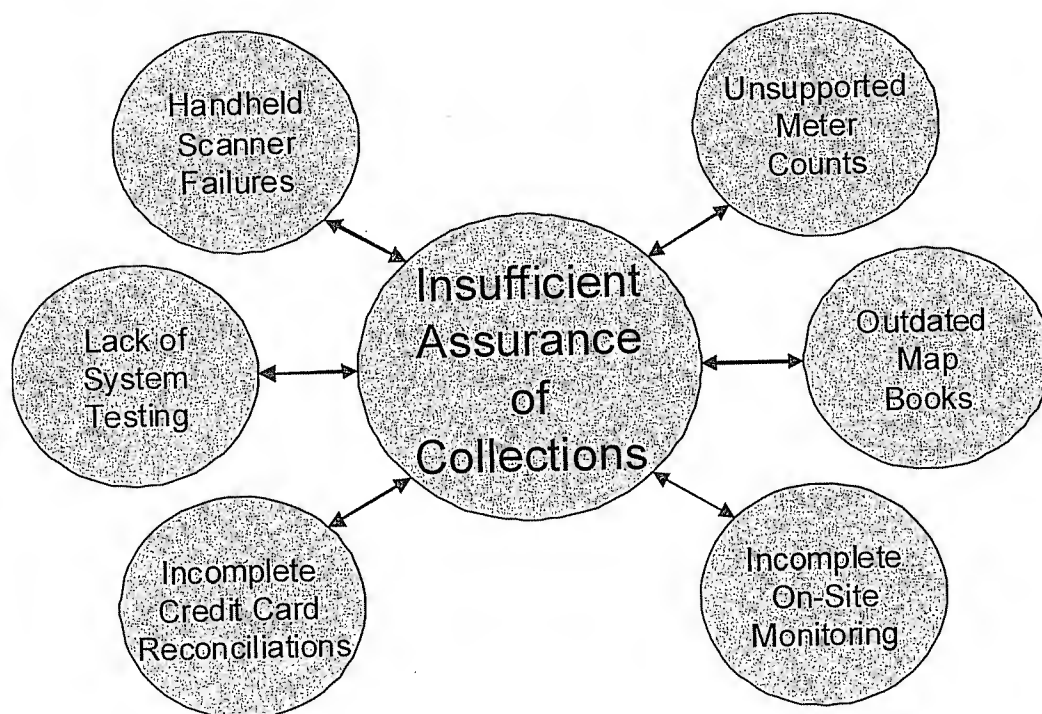
DOT has tools and technology such as handheld scanning devices and transaction databases, which could be used to:

- a) help DOT to establish an accurate meter inventory;
- b) provide assurance that Serco collects from all meters in accordance with the collection schedule;
- c) assess whether collections are being diverted by Serco collectors; and
- d) ensure that all revenues from meters, including both coin collections and credit card payments, are deposited to City bank accounts.

Our audit found that the handheld scanners used by collectors often do not work. DOT did not fully test the devices and the related meter management systems prior to purchase. DOT also did not fully test other similar systems being used for other parking meters (Duncan, IPS and MacKay) and pay stations (Duncan and Digital). According to DOT staff, earlier versions of these systems, such as the Duncan Husky handheld computers, had similar scanner failures. As a result, in the case of Duncan meters, when DOT implemented the use of these handhelds for most of their meters, there were a significant number of scanner failures that resulted in incomplete collection data, even though the systems continued to be paid for and significant effort goes into capturing

the data and uploading information into the systems. As discussed below, DOT paid start up costs of \$290,000 for these systems, while annual maintenance costs are about \$200,000.

The following diagram depicts the problems we found that relate to DOT's ability to ensure that Serco is collecting from all meters, and that all meter payments are being deposited to City bank accounts. The remainder of this section discusses these issues.



Unsupported Meter Counts

DOT must have an accurate meter count by subzone to ensure that collections are complete and billings are accurate.

According to DOT's records, as of August 2010, there were 35,873 meters for 206 subzones located throughout the City. The City also has about 3,200 pay station spaces. According to DOT, their inventory counts were not based on a comprehensive field survey; rather, they represent the number of active meters by subzone based on downloads of meter readings from the Duncan meter management system, an implementation schedule of IPS meters that were newly installed, and a schedule of Mackay meters.

	9/22/09			8/12/10	
Meters	Inventory			Inventory	
Duncan	33,906	94.7%		23,576	65.7%
IPS	156	0.4%		11,171	31.1%
MacKay	1,727	4.8%		1,126	3.1%
	<u>35,789</u>			<u>35,873</u>	

Serco uses the meter count inventory by subzone to bill the City based on the number of attempted collections within the month. It is important to have an accurate inventory of meter counts for billing and monitoring purposes, as it would also allow DOT to assess whether Serco is collecting from all meters.

During 2009 and 2010, the majority of DOT's parking meters were Duncan meters. To gain assurance regarding the reported meter inventory, we attempted to test the validity of the DOT reported figure for Duncan meters. DOT stated that the 23,576 figure was derived by querying the Duncan database, which records a transaction each time a Serco collector makes a collection from a Duncan meter.

To derive their counts for Duncan meters, DOT staff performed a query of the Duncan database. If a "hit" occurred within a three-month period, DOT considered that the meter was operational for purposes of Serco billing for an attempted collection. A "hit" means that a Serco collector performed an "audit" of the meter at least once during the three month period.

DOT provided us with a copy of the Duncan database of meter collections. Using our audit software, we queried the database for the three month period from May 13, 2010 to August 12, 2010. DOT initially agreed that this was a reasonable period to analyze. Out of 130 zones analyzed (we limited our analysis to zones which consist solely of Duncan meters) there were exact matches to the DOT counts for only 11 (8.5%) zones. For 30 of the zones (23%), there was at least a 10% difference. For example, for subzone WA6, the August 2010 inventory reflected 117 meters. However, 192 meters had a least one hit during the three month period.

After we informed DOT of our results, the Department stated that upon further research, it determined that the query was performed on March 2, 2010. However, it was unable to provide documentation of the query or the results. We re-ran our queries to cover the three-month period from December 3, 2009 to March 1, 2010 and obtained results similar to our first analysis. Only 6% of the zone counts matched exactly, and 24% had at least a 10% difference.

DOT stated it used various resources for its August 2010 reported inventory due to concerns about double counting meters that were in the process of upgrade and replacement. However, we could not conclusively verify the accuracy of DOT's reported meter count.

DOT should ensure it has an accurate inventory of meters. In addition, any meter counts that are used for purposes of paying Serco should have documentation to show how the counts were determined.

Outdated Map Books

DOT maintains map books showing all zones and subzones where City meters are located and the number of meters in these areas. Serco collectors use the map books to identify zone boundaries and the location (e.g., streets) of meters within the zones. If the map books are not accurate, there is the risk that Serco may not consistently collect from all meters.

DOT provided Serco with map books that were last updated in 1992, which are likely not accurate. During our audit fieldwork, the Department was in the process of updating the meter maps and had completed maps for some zones.

To determine if the updated August 2010 inventory counts were reflected or supported by the updated map books, we reviewed recently completed maps for the Wilshire Western, San Pedro and Civic Center zones. Using the maps, we counted the number of meters and compared these counts to the August 2010 inventory counts, which is the basis for the amounts paid to Serco. The three zones consisted of ten subzones. For all ten, the number of meters per the map books did not agree with the August 2010 inventory. In eight cases, the map book count was higher, with differences as high as 6%.

For the most part, the map updating project was being conducted by one staff member, based on a survey of meters and their locations which was completed in the summer of 2008. DOT management indicated that this survey had problems and could only be considered about 95% accurate.

DOT management stated that the meter counts change often and the map books are not intended to provide accurate meter counts. Rather, they stated that the purpose of the map books was to provide information to meter collectors about the areas and streets to cover in their collection routes. If this limited use is DOT's intention, we question the time and effort DOT expends to include meter counts in the map books. If DOT will not use the map books to show the location of specific meters, it should have an alternative reliable inventory system in place to show the number and specific location of meters by subzone.

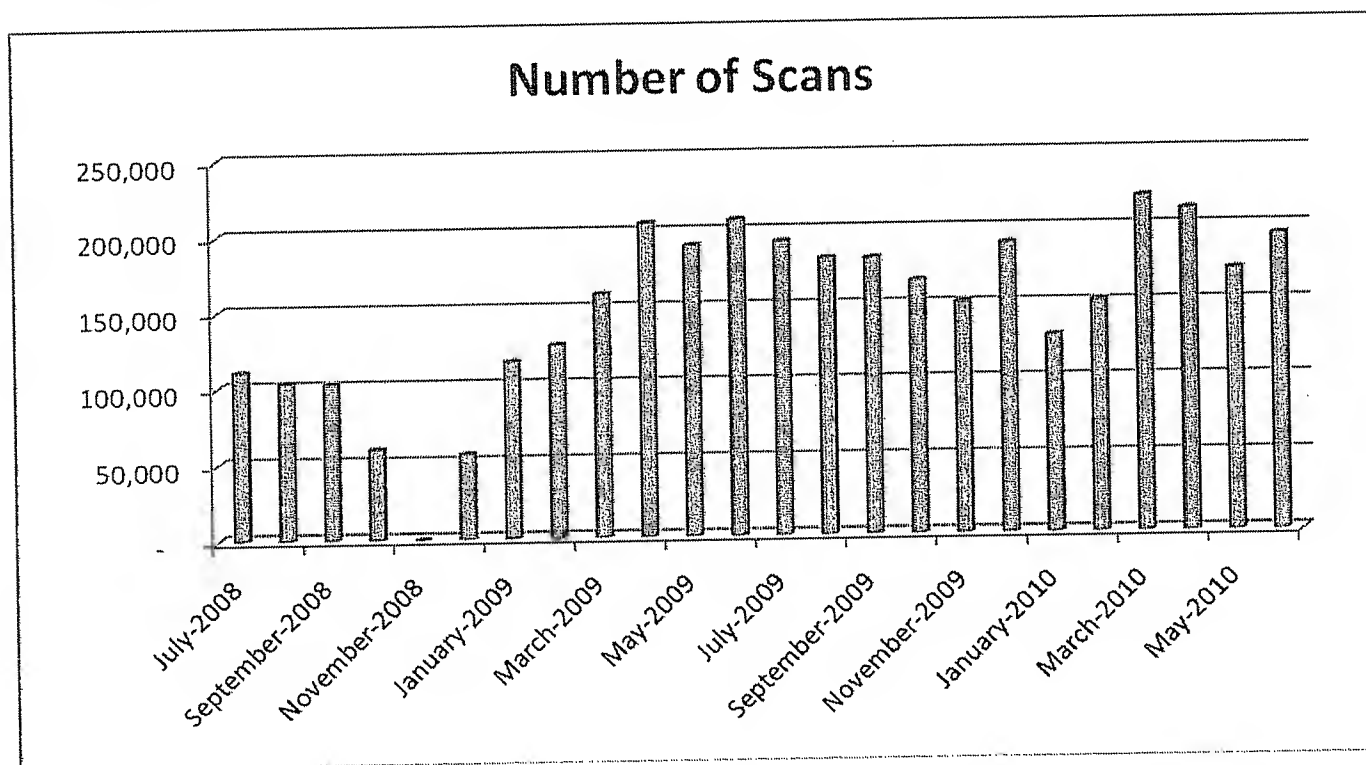
Handheld Scanner Failures

At the beginning of each day, DOT issues Duncan handheld scanners to Serco collectors. The collector is supposed to scan each meter upon emptying the coin canister. The scan records the amount collected since the last scan and the time of the scan. The scanning information is uploaded into the Duncan database daily.

According to Serco, the handhelds have never worked effectively and are not reliable. Often, two or three devices fail each day, either because the infrared connection fails, or the scanner itself is not operational. When the handhelds need repair, they are mailed to Duncan and may not be available for weeks.

We confirmed that scanners are frequently down. Our review of weekly problem reports submitted by Serco to DOT from July 19 to August 20, 2010, identified 74 instances of scanners not working. Also, DOT investigators stated that the scanners have been a continuous problem and have not worked effectively. According to DOT, because the handhelds are frequently not available, the Duncan database is incomplete, and DOT cannot rely on the reported results from the Duncan database to accurately reflect actual collections.

Based on our analysis of the Duncan database and collection data submitted by Serco, the scanners captured only about 67% of collection transactions (this figure excludes October 2008 through December 2008 because, according to DOT, there were system-wide updates by Meter Operations during these months, and they did not require Serco to use the scanners.) Our analysis assumes that Serco collectors attempted to scan each meter they attempted to collect. However, part of the large discrepancy could also be because the collectors do not consistently use the scanners, as required.



Because of the unreliability of the Duncan scanners, the Duncan database is not complete. The lack of a complete database diminishes DOT's ability to effectively

manage collection activities. If the database were complete, DOT could use it for a variety of purposes, including:

- Verifying the accuracy of the meter inventory
- Verifying that Serco collected from each meter, in accordance with the collection schedule
- Assisting in setting collection frequencies at optimum numbers (discussed in Finding #2)
- Identifying trends in collections
- Ensuring that collections are deposited

We surveyed other municipalities and learned they also had problems with the reliability of collection information produced by this vendor's meters, handheld scanners and information systems. There were significant variances between actual collections and amounts reported by the system. Among the reasons offered were that meters can fail to record accurately the amount of coins received, handhelds can fail to read information from the meters using the infrared reader, and software problems can occur.

Lack of Full Systems Testing

Prior to implementing an information system, it should be tested to ensure its effective operation. Some of the tests we would have expected to see include:

- Whether the scanners accurately count and record the amount of money in a meter
- An assessment of the reliability of the hardware (i.e., the scanners)
- Whether information recorded in the scanners is recorded accurately in the database.

Our audit disclosed that DOT did not conduct these types of tests prior to system implementation. DOT did conduct some testing, but it was primarily to evaluate the meters for performance, ease of use, revenue enhancement, and public acceptance in order to decide what types of meters to install. The tests were not designed to determine whether the scanners accurately read data from the meters, or whether the associated databases could be relied upon. The Department indicated that any system testing that would have been performed was conducted by the vendors. However, DOT did not have any documentation of such tests conducted by these vendors. Regardless, to ensure system functionality, the Department should have conducted its own tests prior to implementing the systems.

DOT's records show the following costs for the systems:

DOT Meter Operations Management System Costs

<u>Description</u>	<u>Annual Cost</u>	<u>Start-up Costs</u>
Duncan AutoTRAX Meter Management System	\$25,480	\$240,098
Duncan ReinoNet Pay Station Management System	49,294	N/A
Digital Payment Technologies Pay Station EMS System	4,800	N/A
IPS Group Meter Management System (Purchased)	15,641	N/A
IPS Group Meter Management System (Leased)	108,110	N/A
MacKay WinEMU Meter Management System	0	50,012
Total	<u>\$203,325</u>	<u>\$290,110</u>

We recognize that DOT uses the systems for reasons other than to help ensure that collections are being made from each meter and that all collections are being deposited to City accounts. For instance, some systems are used to obtain information about problems with meters for repair and maintenance purposes. The issue remains that DOT invests money for these systems and they are not fully functional.

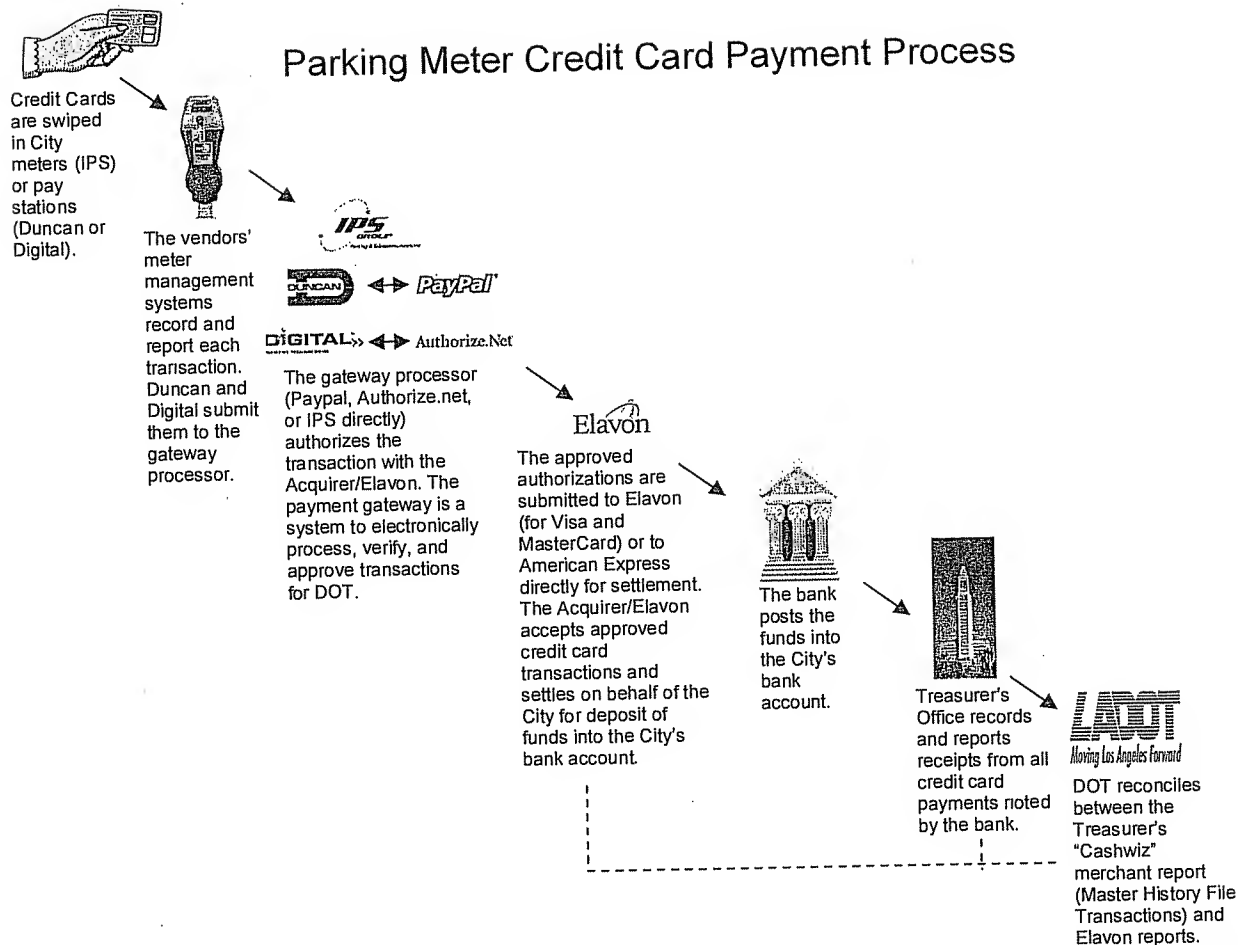
To ensure that the City maximizes its parking collections, DOT should correct problems with the Duncan AutoTRAX system. Once these problems are corrected, DOT should use data from the meter management systems to better manage the meter collection process.

Incomplete Reconciliation of Credit Card Receipts

DOT meters and pay stations accept credit card payments covering about 14,000 parking spaces. These include IPS meters, Duncan pay stations and Digital pay stations. Each of the three vendors has information systems which can report credit card transactions. In addition, DOT receives statements of credit card batch deposits from Elavon, a credit card processor.

Each of the vendors that receive and process credit card transactions for meter payments is compliant with Payment Card Industry Data Security Standard (PCI DSS), a set of requirements designed to ensure a secure environment for credit card transactions.

The following diagram shows the credit card payment process for payment at City parking meters:



Good business practice requires periodic reconciliations of receipts to deposits. DOT reconciles Elavon reports of credit card sales to the City Treasurer's "Cashwiz" reports of bank deposits for meter / pay station collections. However, this reconciliation would be enhanced if DOT also reconciled credit card sales per the three vendors (as recorded in the meter management systems) to the Elavon reports. Without this reconciliation, DOT cannot be assured that all credit card receipts are being deposited into City bank accounts. DOT stated that the reconciliation is not performed because of a lack of staffing resources.

For a sample of two months, we attempted to reconcile credit card sales per the vendors to the Elavon reports. Because of timing differences between when a sale appears in the vendors' systems and when it appears on the Elavon reports, we did not expect the amounts to reconcile 100%. However, over a one month period, the amounts should be relatively close.

For both months, we noted variances between sales per the vendors' systems and the Elavon reports. Although the variance for one month was not significant and somewhat significant for another month, the variances indicate the need to periodically reconcile the data. In order to minimize staffing resources to complete the reconciliations, DOT

should request electronic files from Elavon so that it can perform automated reconciliations to data from the vendors' systems.

Incomplete On-Site Monitoring

DOT has four investigators whose responsibilities include making site visits to verify that Serco collectors are following established procedures. This includes observing collectors to verify that collections are being made from each meter (i.e., meters are not being skipped). Since the investigators have other responsibilities, typically only two investigators are available each day to conduct these site visits.

Our audit disclosed that DOT does not have a formal plan or schedule showing which locations will be visited, nor does it keep records of past site visits. Where the investigators go is based on their judgment, past problems and suspected problems. We found that the investigators used to record their activities in calendars back in 2008, but stopped doing this because they were not provided with calendars for 2009 and 2010.

To ensure adequate coverage of its 36,000 meters located in 206 subzones, DOT should have a formal plan in place for which sites it will visit. This will require DOT to keep records of past visits and any problems identified so that it can ensure proper coverage of the City's meters, while at the same time allowing DOT to use past problems as a factor in developing its schedule.

Recommendations

DOT management should:

- 1. Establish procedures for developing accurate meter count inventories and maintain documentation to support the counts.**
- 2. Expedite completion of updated map books which reflect an accurate inventory of parking meters.**
- 3. Complete tests of the various scanners to ensure that associated databases contain complete and accurate information.**
- 4. Reconcile, on a regular basis, credit card sales per the meter information systems to bank deposits. If possible, automated techniques should be used to complete the reconciliations.**
- 5. Establish a formal on-site monitoring plan and schedule for verifying that Serco collectors are following correct procedures for all meter zones in the City.**

Updated Status

DOT management recognizes the importance of having an accurate meter count inventory, updated map books, and credit card sale reconciliations. The Department stated, that subsequent to our fieldwork, it conducted a study of 4,200 meters and determined that the inventory has an overall accuracy rate of 98% to 99% for those meters that were selected as part of the study. We encourage DOT to conduct a comprehensive inventory for all meters. DOT management also indicated that Serco has now been provided with updated map books.

With respect to credit card reconciliations, DOT reported that it now performs reconciliations of credit card sales with the gateway processors. To strengthen controls, we believe that DOT should also pursue reconciling credit card sales per the meter information systems to bank deposits.

SECTION II. PROGRAM MANAGEMENT FOR METER COLLECTIONS

DOT's management of the meter collection process should include effective use of staff, efficient collections, and ensuring meter functionality by cleaning and maintaining meters and following up on reports of broken meters. The following diagram illustrates factors related to ensuring effective program management.



We found several areas, described below, where DOT's management of these processes can be improved.

Finding #2: DOT could potentially reduce the frequency of collections of some routes, redeploy some staff, and improve meter maintenance and repairs, which could result in several hundred thousand dollars in annual savings and increased revenues.

Collection Frequencies

DOT should have a formal process in place to periodically evaluate collection frequencies for appropriateness. Although a particular collection frequency for a specific subzone may be appropriate at one point in time, changing circumstances may result in the need to alter the frequency. Since Serco is paid based on the number of meters it attempts to collect, setting collection frequencies at optimum points would also minimize contract costs.

DOT currently uses a 12-day cycle in which meters are collected between two and 12 times per cycle, depending on the subzone. DOT stated that it does not have a formal process to evaluate collection frequencies and does not have documentation to show how the current frequencies were determined. Generally, frequencies are only adjusted based on verbal reports from Serco collectors saying that the meters are nearly full each time they empty them.

In November 2008, DOT increased the collection frequencies for all meters. This occurred due to increased parking rates, and DOT surmised that the meters would fill faster, therefore requiring more frequent collections. However, DOT had not analyzed whether the prior collection frequencies were appropriate.

Using DOT's Daily Revenue Sheets, we calculated an average collection per meter for each of 180 subzones without pay stations for one 12-day cycle in June 2010. We found that the average ranged from \$.42 to \$25.41. For example, subzone SAD (parking lot #676) had four collections within the 12-day cycle. On average, the amount in each meter at the time of collection was 42 cents. The wide range of 42 cents to \$25.41 suggests the need to re-evaluate collection frequencies. In general, if the frequencies are set appropriately, the range should be much narrower.

Further analyses showed that for 165 (92%) of the 180 subzones reviewed, the average amount in the meters at the time of collection was less than \$15. This is half of the \$30 capacity of the meters. Therefore, if the average amount collected for each meter in a zone is less than \$15, it would indicate that the collection frequency could potentially be reduced.

For this one 12-day collection cycle, we estimate that DOT could have saved as much as \$24,000, which equates to almost \$500,000 a year or about 25% of the total amount paid to Serco each year.²

DOT agrees that collection frequencies should be evaluated periodically. The Department stated that it has begun analyzing such frequencies for certain sub-zones.

Deployment of Staff Resources

DOT employs Maintenance Laborers to put all coins collected from meters into counting machines which then sort and package the coins so that armed guards can then transport the collections to the bank for deposit. DOT also employs five other employees in the Division whose responsibilities include recording collections in spreadsheets and reconciling daily collections to coin count reports.

As DOT continues to replace older Duncan meters with IPS meters, which are capable of accepting credit cards, the amount of coins collected could drop significantly. IPS

² There are 260 (52 x 5) workdays in a year. Excluding holidays there are 247 days, which is about 20 (247/12) collection cycles. 20 times \$24,000 equals \$480,000.

has reported that generally, their meters require fewer collection resources, and because of their wireless data capabilities, the IPS meters can significantly reduce data collection time since they eliminate the need for a collector to "audit" each meter with a handheld computer. Therefore, both DOT and Serco should realize opportunities for staffing efficiencies attributed to the planned meter replacements.

DOT stated that a recent internal analysis showed that the amount of coins collected has remained relatively stable. However, this could be because the IPS meters are new and less subject to failure, resulting in an overall increase in revenue. Over time, there is a good possibility that coin collections will drop significantly as more patrons use credit cards. If this occurs, DOT should consider also outsourcing the coin counting function, which has been done in another jurisdiction. This would allow Division staff to redirect efforts towards other meter-related oversight functions, including monitoring and maintenance to improve meter up-times.

Broken Meters

Effective program management over meter collection activities includes processes to ensure that meters are working properly. Broken/failed meters not only result in lost revenue to the City as forgone collections, but also add to unnecessary expense, as the City pays Serco for an *attempted* collection (including broken or empty meters). Although the primary objective of our audit did not include assessing the identification and repair of broken meters, we noted some areas where improvements could be made.

The process for emptying meters is the following: a Serco collector unlocks the meter, removes the coin can; places the can on top of a canister and twists the can, thereby releasing the coins into the canister. The collector then takes a reading using either a card or an electronic reader, depending on the type of meter. It should be noted that the collector never physically handles the coins.

We observed a sample of collectors for short periods of time during their scheduled routes. In one case, we observed a collector while he made collections from about fifteen meters. We noted that the majority of these meters had coins stuck in the wells and/or necks of the meter. Each meter had anywhere from approximately 25 cents to \$4. DOT staff stated that it is not uncommon for the meters to have coins stuck inside. According to DOT, the Department does not have sufficient staff or resources to clean the meters.

We also noted that Serco collectors report broken meters. DOT's current process is that when a Serco collector discovers a broken meter, he enters the meter ID and a description of the problem into his handheld device. This report goes directly into the AutoTRAX database, where Meter Operations can then indicate when they have completed the repair. If the Serco collector discovers a broken meter but has no handheld device available, the collector notes the problem on a Parking Meter Trouble Report. These hand-completed paper reports are remitted to DOT, where they are

provided to the Meter Investigations Unit or Meter Operations, depending on the nature of the meter problem.

If the problem relates to issues such as an overflowing can within a meter, the Meter Investigations Unit retains the report. Reports showing problems with broken meters are forwarded to the Meter Shop. A report can list multiple meter numbers. We observed that the Meter Shop had about 400 reports stored in boxes. DOT management stated that the Meter Shop uses the reports to initiate repairs.

Based on management's statement, we selected a sample of ten reports to determine whether they were acted upon. Based on a review of AutoTRAX³ and eTIMS⁴, it did not appear that the Trouble Reports were being acted upon to initiate a repair. Although all sampled reports showed that a repair occurred, the Parking Meter Trouble Report from Serco did not appear to be the source of the repair. We found no annotations on any of the ten sampled reports to provide an indication that the trouble report had been acted upon, nor entered into the AutoTRAX system. Rather, the repair appeared to be completed based on a technician discovering the problem through another source, or because the Parking Violations Bureau reported the problem. In addition, in several cases, the repair occurred at least two weeks after the problem was reported on a Trouble Report.

By initiating repairs based on the Trouble Report, DOT may be able to repair meters in a more timely manner, resulting in additional revenues.

Recommendations

DOT management should:

- 6. Adopt a formal process to periodically monitor and analyze collection frequencies of subzones with the goal of setting the frequencies at their optimum number.**
- 7. Utilize information from the meter management systems to assist in setting the collection frequencies, once these systems are functioning properly.**
- 8. If, or when, coin collections show a significant decrease, assess the cost-benefit of outsourcing the coin counting function to the coin collection contractor or a bank.**

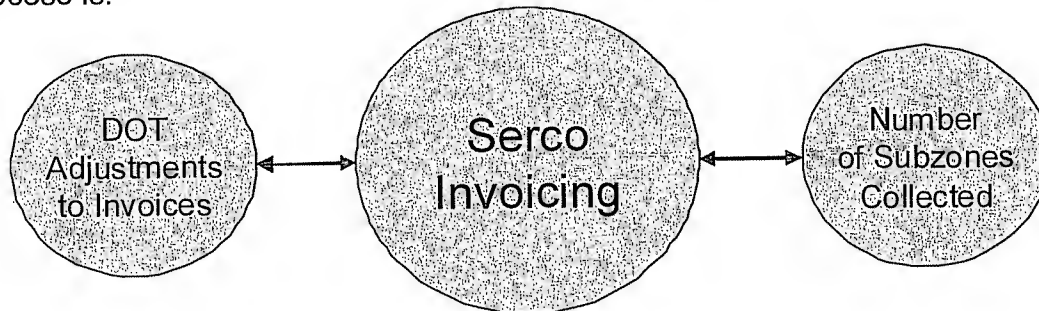
³ AutoTRAX is the database for Duncan parking meters. It is the meter management system that contains records for all Duncan parking meters and all audits of those meters. It also contains records of meter trouble reports.

⁴ eTIMS (Electronic Ticket Information Management System) is used by DOT for citations processing. It also includes a database of meter repairs maintained by the DOT Meter Shops' parking meter technicians. For each meter it shows what repairs were done, when they occurred and problems reported with a meter.

9. Implement a program to clean meters and meter wells to ensure their proper operation.
10. Ensure that Parking Meter Trouble Reports are acted upon in a timely manner and annotate the reports to show what actions were taken to repair the meter.

SECTION III. INVOICE PAYMENTS TO SERCO

Each month, Serco submits an invoice to DOT based on the number of attempted collections from meters and pay stations. With the invoice, Serco provides an electronic spreadsheet that lists every subzone and pay station on which they attempted collection. DOT reviews the spreadsheet and makes adjustments as necessary, then requests Serco to submit a revised invoice to reflect these adjustments. An overview of this process is:



Finding #3: DOT could more effectively utilize internal resources by changing the structure of payments made to Serco and improving recordkeeping, and redirecting resources according to DOT policy.

As Serco staff makes collections, they complete a Daily Canister Collection Report which shows subzones collected that day. In addition, as part of the daily collections process, DOT investigators record the subzones and pay stations collected as collections are brought into the counting facility. The amount collected is entered into spreadsheets, referred to as Daily Revenue Sheets. The source for the Daily Revenue Sheets is the Daily Canister Collection Reports. Thus, the Daily Revenue Sheets should reconcile to the Daily Canister Collection Reports, which in turn, should reconcile to the invoices. This is a time consuming and manual process which requires significant resources to accomplish.

DOT spends several hours reviewing each invoice. For example, to ensure that Serco's invoice is accurate, DOT compares records from the Daily Revenue Sheets to the invoices. We noted that each invoice between December 2009 and May 2010 had adjustments, including some that were fairly large. For example, for May 2010, Serco's initial invoice showed that it should have been paid for collecting 1,763 pay stations, but DOT adjusted this amount to 1,918, or 9% more.

In many cases, DOT could not provide support for its adjustments. In some cases, there were brief notes in spreadsheets saying that a subzone should be added or changed, but DOT could not provide the support for the reasons for these changes.

Our review of ten days of collection activity, comparing adjusted invoices to Daily Revenue Sheets, found numerous variances which required significant efforts by DOT to review and explain, although they had minimal effect on the amount paid to Serco.

DOT could substantially reduce the time it takes to review the invoices for accuracy if it were to pay Serco under a flat-fee arrangement. Under this scenario, Serco would be paid the same amount each month, unless there was a significant reduction in the number of meters that needed to be collected due to special circumstances such as street closures. Assurance as to meter collections by subzones could still occur through DOT Daily Revenue Sheets, and be supported by Daily Canister Collection Reports. A flat fee structure, however, must be based on an accurate meter inventory, as discussed in Finding #1, and an appropriate schedule for collection frequency by subzone, as discussed in Finding #2. This approach would free up resources to attend to other priorities within DOT's parking collection process.

Regardless of whether DOT implements a flat-fee structure, it needs to ensure that it can support any adjustments made to Serco's initial invoices.

Recommendations

DOT management should:

- 11. After assessing the optimal frequencies for meter collections, explore the cost effectiveness of paying Serco a flat monthly fee.**
- 12. Maintain documentation for any adjustments made to Serco's initial invoices.**

Recordkeeping

In the course of our audit, we made several requests for electronic file information, such as support for invoices and daily collection records. In several cases, DOT could not locate the records or had difficulties in finding them. The Department attributed part of the problem to the fact that one key individual, a Management Analyst, had recently left the Department.

We also noted that for electronic records, different employees named the files in different ways. With a formal and documented filing plan and standard naming conventions for electronic files, DOT could ensure that records are better organized and easier to locate. This is especially critical when key staff leave the Department and their responsibilities are reassigned.

Recommendation

- 13. DOT management should establish a formal and documented plan for filing and maintaining documents related to daily collection records and support for the invoices.**

SECTION IV. CONTRACT COMPLIANCE AND MONITORING

We noted that DOT monitored Serco activities to ensure their compliance with most of the contract's key provisions. However, we found some areas where additional actions should be taken to protect the City's interests.

Finding #4: DOT did not monitor to ensure that Serco complies with the insurance, bond coverage, and driver license provisions of the contract.

Insurance and Bond Coverage

According to sections 5.1 and 5.2 of the contract, Serco must provide the City with a \$100,000 performance bond as security for the faithful performance of work described in the agreement, and a \$100,000 fidelity bond for the conduct of its meter collectors. Section 5.3 requires Serco to provide evidence of insurance. Evidence of proper bond and insurance coverage should be provided prior to the beginning of each contract year.

DOT does not monitor to ensure Serco maintains proper insurance and bond coverage. DOT did not have any documents on file showing current insurance coverage. The insurance documents they had showed an expiration date of October 31, 2009. After our inquiries, Serco provided DOT with documentation to show insurance coverage through October 31, 2011. Because DOT is not closely monitoring insurance coverage, coverage could lapse, and the City could be held liable for vehicle accidents caused by Serco employees acting on the City's behalf.

Although DOT provided evidence of a current performance bond, neither DOT nor Serco could produce evidence of a fidelity bond. After we brought this to DOT's attention, it contacted Serco to inquire why Serco did not have the bond. Serco responded that its crime coverage includes dishonest acts by employees and should be used in lieu of a fidelity bond.

The fact that DOT needed to ask Serco why it did not have a fidelity bond again shows that DOT does not monitor the insurance/bond provisions of the contract. DOT should request the City Attorney's Office to provide a written opinion as to whether Serco's insurance policy can be used in lieu of the required fidelity bond.

Driver Licenses

DOT also does not monitor the driver license provision of the contract. According to section 9.2 of the contract, Serco must provide the City with copies of driver licenses and history records on an annual basis and upon request. DOT stated that Serco provides copies of employees' DMV records when they are initially hired, but does not provide this documentation on a yearly basis for each employee.

Serco stated that it monitors its employees for valid licenses on an annual basis and was able to provide us with evidence that all current drivers have valid licenses. However, to reduce the risk of unlicensed drivers, DOT should require Serco to provide documentation of current licenses on an annual basis and monitor to ensure compliance.

Recommendations

DOT management should:

14. Request the City Attorney to provide a written opinion as to whether Serco's insurance policy can be used in lieu of the fidelity bond required by the contract.
15. Monitor to ensure that Serco complies with the insurance, bond coverage, and driver license provisions of the contract.

Respectfully submitted,

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March 18, 2011

OFFICE OF THE CONTROLLER

AUDIT OF THE CITY'S PARKING COLLECTION PROCESS

Ranking of Recommendations

Finding Number	Description of Finding	Ranking Code	Recommendations
	Section I. ASSURANCE OF COLLECTIONS		
1.	DOT lacked sufficient controls to ensure that collections were being made from all parking meters. Also, because of the lack of reconciliations, all payments were not properly accounted for.	U	1. DOT management should establish procedures for developing accurate meter count inventories and maintain documentation to support the counts.
		U	2. DOT management should expedite completion of updated map books which reflect an accurate inventory of parking meters.
		N	3. DOT management should complete tests of the various scanners to ensure that associated databases contain complete and accurate information.
		N	4. DOT management should reconcile, on a regular basis, credit card sales per the meter information systems to bank deposits. If possible, automated techniques should be used to complete the reconciliations.
		N	5. DOT management should establish a formal on-site monitoring plan and schedule for verifying that Serco collectors are following correct procedures for all meter zones in the City.
	Section II. PROGRAM MANAGEMENT FOR METER COLLECTIONS		
2.	DOT could potentially reduce the frequency of collections of some routes, redeploy some staff, and improve meter maintenance and repairs, which could result in several hundred thousand dollars in annual savings and increased revenues.	U	6. DOT management should adopt a formal process to periodically monitor and analyze collection frequencies of subzones with the goal of setting the frequencies at their optimum number.
		U	7. DOT management should utilize information from the meter management systems to assist in setting the collection frequencies, once these systems are functioning properly.
		D	8. DOT management should, if, or when, coin collections show a significant decrease, assess

Finding Number	Description of Finding	Ranking Code	Recommendations
			the cost-benefit of outsourcing the coin counting function to the coin collection contractor or a bank.
		N	9. DOT management should implement a program to clean meters and meter wells to ensure their proper operation.
		N	10. DOT management should ensure that Parking Meter Trouble Reports are acted upon in a timely manner and annotate the reports to show what actions were taken to repair the meter.
Section III. INVOICE PAYMENTS TO SERCO			
3.	DOT could more effectively utilize internal resources by changing the structure of payments made to Serco and improving recordkeeping, and redirecting resources according to DOT policy.	N	11. DOT management should, after assessing the optimal frequencies for meter collections, explore the cost effectiveness of paying Serco a flat monthly fee.
		N	12. DOT management should maintain documentation for any adjustments made to Serco's initial invoices.
		U	13. DOT management should establish a formal and documented plan for filing and maintaining documents related to daily collection records and support for the invoices.
Section IV. CONTRACT COMPLIANCE AND MONITORING			
4.	DOT did not monitor to ensure that Serco complies with the insurance, bond coverage, and driver license provisions of the contract.	N	14. DOT management should request the City Attorney to provide a written opinion as to whether Serco's insurance policy can be used in lieu of the fidelity bond required by the contract.
		U	15. DOT management should monitor to ensure that Serco complies with the insurance, bond coverage, and driver license provisions of the contract.

Description of Recommendation Ranking Codes

U- Urgent-The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

N- Necessary- The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. The recommendation should be implemented within six months.

D- Desirable- The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

N/A- Not Applicable